

## EXECUTIVE SUMMARY

The outlook for Idaho's economy has improved since the last *Forecast* was published in January 2002. While this news is welcome, it should be noted that the improvements must be compared to the previously anticipated levels of local economic activity. In the previous forecast Idaho nonfarm employment was projected to grow an anemic 0.5% this year and 1.9% next year. In the current forecast, Idaho nonfarm employment is forecast to rise 0.7% this year and 1.7% next year. The real personal income estimates show a similar pattern. Idaho real personal income is forecast to increase 3.5% this year compared to the 2.2% growth that was previously anticipated. However, Idaho real personal income should also rise 3.5% next year. This is slower than the 3.9% growth forecast last January. Idaho real personal income should advance 3.4% in 2004 and 3.2% in 2005. This is down just slightly from the prior forecast of 3.4% in 2004 and 3.5% in 2005. The Idaho economy is positioning itself for stronger growth down the road. However, a return to the growth rates enjoyed in the 1990s is not likely. But one tradition from the last decade is expected to spill over into this decade. Idaho is still expected to experience stronger economic growth than the nation as a whole over the next few years.

Oddly enough economists seem to be more in agreement about where the U.S. economy is headed than where it has been. Almost everyone agrees the economy is on the mend and growth will accelerate in the near future. Another thing most economists seem to agree on is the prospects for the economy have brightened in recent months. The current DRI\*WEFA forecast serves as a good example. As mentioned above, real GDP is expected to have fallen in just the third quarter of last year and real GDP contracted 0.3%. In contrast, last November, DRI\*WEFA had projected real GDP would shrink for three consecutive quarters and output would drop 1.0% from peak to drop. But those expecting a traditional recovery may be disappointed. During a typical recession, spending is put off until the economy improves. In a typical recession, spending goes strongly as pent up demand is satisfied. This contributes to the real GDP spike. But the current recession was not typical. Consumer spending never collapsed, and in fact it helped keep the economy afloat. At the end of this recession, there is little pent up demand to be met. And some of this demand has been satisfied from inventories, which does not count toward current production. After growing 1.6% this year, real GDP is expected to advance 3.8% in both 2003 and 2004, and 3.0% in 2005. Despite this improvement in real GDP, DRI-WEFA has not changed its national employment forecast significantly. Both forecasts agree the manufacturing sector has been hard hit and will take longer than the overall economy to recover. This reflects the collapse in business fixed investment that has hit the manufacturing sector especially hard. This sector should begin adding jobs again in 2003 and continue expanding over the forecast horizon.

# IDAHO ECONOMIC FORECAST

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APRIL 2002

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>GDP (BILLIONS)</b>										
Current \$	7,813	8,318	8,782	9,269	9,873	10,206	10,536	11,181	11,868	12,508
% Ch	5.6%	6.5%	5.6%	5.5%	6.5%	3.4%	3.2%	6.1%	6.1%	5.4%
1996 Chain-Weighted	7,813	8,159	8,509	8,857	9,224	9,332	9,484	9,849	10,219	10,525
% Ch	3.6%	4.4%	4.3%	4.1%	4.1%	1.2%	1.6%	3.8%	3.8%	3.0%
<b>PERSONAL INCOME - CURR \$</b>										
Idaho (Millions)	24,174	25,227	27,079	28,572	30,759	32,435	33,984	35,998	38,136	40,314
% Ch	5.7%	4.4%	7.3%	5.5%	7.7%	5.4%	4.8%	5.9%	5.9%	5.4%
Idaho Nonfarm (Millions)	23,298	24,557	26,163	27,577	29,797	31,345	32,869	34,834	36,995	39,197
% Ch	5.6%	5.4%	6.5%	5.4%	8.1%	5.2%	4.9%	6.0%	6.2%	6.0%
U.S. (Billions)	6,547	6,937	7,426	7,777	8,319	8,724	9,001	9,500	10,057	10,565
% Ch	5.6%	6.0%	7.0%	4.7%	7.0%	4.9%	3.2%	5.5%	5.9%	5.1%
<b>PERSONAL INCOME - 1996 \$</b>										
Idaho (Millions)	24,172	24,745	26,281	27,282	28,605	29,615	30,646	31,712	32,792	33,837
% Ch	3.5%	2.4%	6.2%	3.8%	4.9%	3.5%	3.5%	3.5%	3.4%	3.2%
Idaho Nonfarm (Millions)	23,297	24,088	25,392	26,331	27,711	28,620	29,641	30,685	31,810	32,899
% Ch	3.3%	3.4%	5.4%	3.7%	5.2%	3.3%	3.6%	3.5%	3.7%	3.4%
U.S. (Billions)	6,547	6,805	7,208	7,427	7,737	7,966	8,117	8,368	8,648	8,868
% Ch	3.4%	3.9%	5.9%	3.0%	4.2%	3.0%	1.9%	3.1%	3.3%	2.5%
<b>HOUSING STARTS</b>										
Idaho	9,221	8,862	10,112	10,337	11,528	12,179	10,685	10,168	10,019	9,968
% Ch	-1.5%	-3.9%	14.1%	2.2%	11.5%	5.6%	-12.3%	-4.8%	-1.5%	-0.5%
U.S. (Millions)	1,469	1,475	1,621	1,647	1,575	1,606	1,575	1,545	1,626	1,644
% Ch	7.9%	0.4%	9.9%	1.6%	-4.4%	2.0%	-1.9%	-1.9%	5.3%	1.1%
<b>TOTAL NONFARM EMPLOYMENT</b>										
Idaho (Thousands)	492.6	508.7	521.5	539.1	559.2	569.1	573.0	582.6	595.1	607.1
% Ch	3.2%	3.3%	2.5%	3.4%	3.7%	1.8%	0.7%	1.7%	2.1%	2.0%
U.S. (Millions)	119.6	122.7	125.8	128.9	131.8	132.2	131.7	133.7	136.6	138.7
% Ch	2.0%	2.6%	2.6%	2.4%	2.2%	0.4%	-0.4%	1.5%	2.2%	1.6%
<b>SELECTED INTEREST RATES</b>										
Federal Funds	5.3%	5.5%	5.4%	5.0%	6.2%	3.9%	2.0%	4.0%	5.0%	5.0%
Bank Prime	8.3%	8.4%	8.4%	8.0%	9.2%	6.9%	5.0%	7.0%	8.0%	8.0%
Existing Home Mortgage	7.7%	7.7%	7.1%	7.3%	8.0%	7.0%	7.3%	7.5%	7.6%	7.4%
<b>INFLATION</b>										
GDP Price Deflator	1.9%	1.9%	1.2%	1.4%	2.3%	2.2%	1.5%	2.2%	2.3%	2.3%
Personal Cons Deflator	2.1%	1.9%	1.1%	1.6%	2.7%	1.9%	1.2%	2.4%	2.5%	2.4%
Consumer Price Index	2.9%	2.3%	1.5%	2.2%	3.4%	2.8%	1.8%	2.6%	2.6%	2.7%

National Variables Forecast by DRI\*WEFA  
Forecast Begins the FOURTH Quarter of 2001

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	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP (BILLIONS)</b>												
Current \$	10,346	10,476	10,574	10,747	10,937	11,103	11,260	11,424	11,624	11,793	11,950	12,106
% Ch	3.7%	5.1%	3.8%	6.7%	7.3%	6.2%	5.8%	6.0%	7.2%	6.0%	5.4%	5.4%
1996 Chain-Weighted	9,376	9,446	9,505	9,609	9,712	9,810	9,891	9,983	10,098	10,186	10,258	10,334
% Ch	1.5%	3.0%	2.5%	4.5%	4.4%	4.1%	3.4%	3.8%	4.7%	3.6%	2.9%	3.0%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	33,403	33,751	34,179	34,602	35,155	35,732	36,321	36,787	37,309	37,870	38,457	38,908
% Ch	6.0%	4.2%	5.2%	5.0%	6.5%	6.7%	6.8%	5.2%	5.8%	6.2%	6.3%	4.8%
Idaho Nonfarm (Millions)	32,288	32,635	33,064	33,487	34,023	34,561	35,111	35,639	36,235	36,738	37,253	37,752
% Ch	6.0%	4.4%	5.4%	5.2%	6.6%	6.5%	6.5%	6.2%	6.9%	5.7%	5.7%	5.5%
U.S. (Billions)	8,860	8,948	9,046	9,151	9,296	9,433	9,570	9,700	9,861	9,997	10,126	10,246
% Ch	4.2%	4.0%	4.5%	4.7%	6.5%	6.0%	5.9%	5.6%	6.8%	5.7%	5.3%	4.8%
<b>PERSONAL INCOME - 1996 \$</b>												
Idaho (Millions)	30,346	30,516	30,774	30,949	31,238	31,581	31,904	32,124	32,388	32,672	32,962	33,144
% Ch	4.6%	2.3%	3.4%	2.3%	3.8%	4.5%	4.2%	2.8%	3.3%	3.5%	3.6%	2.2%
Idaho Nonfarm (Millions)	29,333	29,508	29,770	29,952	30,232	30,546	30,841	31,122	31,456	31,695	31,930	32,159
% Ch	4.7%	2.4%	3.6%	2.5%	3.8%	4.2%	3.9%	3.7%	4.4%	3.1%	3.0%	2.9%
U.S. (Billions)	8,049	8,091	8,145	8,185	8,260	8,337	8,406	8,470	8,560	8,625	8,679	8,728
% Ch	2.9%	2.1%	2.7%	2.0%	3.7%	3.8%	3.4%	3.1%	4.3%	3.1%	2.5%	2.3%
<b>HOUSING STARTS</b>												
Idaho	10,833	10,853	10,638	10,418	10,311	10,170	10,109	10,082	10,049	10,039	10,005	9,983
% Ch	-3.5%	0.8%	-7.7%	-8.0%	-4.0%	-5.4%	-2.4%	-1.1%	-1.3%	-0.4%	-1.3%	-0.9%
U.S. (Millions)	1.613	1.558	1.571	1.559	1.545	1.540	1.538	1.556	1.589	1.623	1.642	1.650
% Ch	11.1%	-13.0%	3.4%	-2.9%	-3.7%	-1.3%	-0.6%	4.9%	8.8%	8.7%	4.7%	1.9%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho (Thousands)	570.7	571.6	573.8	575.7	578.0	580.7	584.2	587.6	590.8	593.8	596.6	599.1
% Ch	1.1%	0.6%	1.5%	1.4%	1.6%	1.9%	2.4%	2.3%	2.2%	2.0%	1.9%	1.7%
U.S. (Millions)	131.3	131.5	131.8	132.3	132.8	133.4	134.0	134.8	135.6	136.4	137.0	137.5
% Ch	-0.7%	0.6%	1.0%	1.6%	1.4%	1.8%	2.0%	2.2%	2.5%	2.2%	1.8%	1.6%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	1.8%	1.7%	2.1%	2.6%	3.0%	3.7%	4.5%	4.8%	5.0%	5.0%	5.0%	5.0%
Bank Prime	4.8%	4.7%	5.1%	5.6%	6.0%	6.7%	7.5%	7.8%	8.0%	8.0%	8.0%	8.0%
Existing Home Mortgage	7.5%	7.1%	7.2%	7.3%	7.4%	7.4%	7.6%	7.6%	7.6%	7.6%	7.5%	7.5%
<b>INFLATION</b>												
GDP Price Deflator	1.9%	2.0%	1.3%	2.1%	2.8%	2.1%	2.3%	2.1%	2.4%	2.3%	2.5%	2.3%
Personal Cons Deflator	1.3%	1.9%	1.7%	2.7%	2.7%	2.2%	2.5%	2.4%	2.4%	2.5%	2.6%	2.5%
Consumer Price Index	2.6%	2.4%	2.2%	2.9%	2.8%	2.3%	2.6%	2.5%	2.6%	2.7%	2.9%	2.7%

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